

Agency 140

## Department of Revenue

## Recommendation Summary

Dollars in Thousands

	Annual FTEs	General Fund State	Other Funds	Total Funds
<b>2005-07 Expenditure Authority</b>	1,064.7	181,548	12,039	193,587
<b>Supplemental Changes</b>				
Automated Tax Information System Grants			3,900	3,900
Streamlined Sales Tax *	.8	223		223
Excise Tax Relief for Aerospace Businesses *		44		44
5 Percent Penalty Issuances/Tax Reporting *	.4	108		108
Legal Costs		392		392
SmartBuy		(1,249)		(1,249)
Pension Plan 1 Unfunded Liabilities			474	474
Classification Revisions		(5)		(5)
Central Service Agency Charges		163	5	168
<b>Subtotal - Supplemental Changes</b>	1.2	(324)	4,379	4,055
<b>Total Proposed Budget</b>	1,065.9	181,224	16,418	197,642
Difference	1.2	(324)	4,379	4,055
Percent Change	0.1%	(0.2)%	36.4%	2.1%

## SUPPLEMENTAL CHANGES

**Automated Tax Information System Grants**

Legislation was enacted during the 2005 legislative session that directs part of the real estate excise tax into a fund for the creation of an automated tax information system. The legislation also directed the department to make grants to cities and towns for this purpose. (Real Estate Excise Tax Grant Account-State)

**Streamlined Sales Tax \***

Legislation is proposed to bring Washington State into full conformity with the Streamlined Sales and Use Tax Administration Agreement. Full conformity will allow the department to be a voting member of the Streamlined Sales Tax Project at a national level. The goal of the project is to simplify tax administration for both retailers and state tax agencies.

**Excise Tax Relief for Aerospace Businesses \***

Proposed legislation reduces the business and occupation tax rate for aviation repair services, requires accountability report from claimants, and stipulates electronic filing by claimants. The legislation also extends tax incentives to persons engaged in research, design, and engineering of airplanes and airplane components. The executive request legislation reflects the administrative cost to implement these changes.

**5 Percent Penalty Issuances/Tax Reporting \***

The 5 percent penalty upon issuance of all tax assessments, including balance due notices, audit assessments, and warrants for collection, instituted in 2003 is repealed. The due date for reporting and paying excise taxes for monthly filers is moved from the 25th of each month to the 20th of each month.

## **GOVERNMENTAL OPERATIONS**

### **Legal Costs**

The Attorney General was given additional staff in the 2005-07 operating budget to assist with lawsuits challenging the state's property tax valuation procedures; however, the corresponding funding increases was not made to the Department of Revenue's budget.